

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03 PA-01 PRS-01

USIA-06 /092 W

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R 031913Z FEB 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7883

INFO AMEMBASSY DUBLIN

AMEMBASSY OSLO

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, UK

SUBJECT: PETROLEUM REVENUE TAX: GOVERNMENT CONCEDES  
EXEMPTION FOR NATURAL GAS

REF: LONDON 1290

1. ON JANUARY 30 PAYMASTER GENERAL DELL ANNOUNCED  
EXEMPTION FROM PETROLEUM REVENUE TAX (OPRT) OF NATURAL GAS  
DELIVERED UNDER CONTRACTS SIGNED WITH BRITISH GAS  
CORPORATION (BGC) BEFORE JUNE 30, 1975. HMG DECISION TO  
AMEND ITS OWN OIL TAXATION BILL FOLLOWS VOCIFEROUS OB-  
LECTIONS FROM OIL COMPANIES WHO WARNED THAT APPLICATION  
OF PRT TO GAS COULD HINDER DEVELOPMENT OF FURTHER GAS RE-  
SERVES, INCLUDING OUTPUT FROM EXISTING FIELDS LOCATED IN  
SOUTHERN BASIN OF NORTH SEA.

2. DELL CAUTIONED THAT EXEMPTION MIGHT NOT APPLY IN  
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EVENT OF SUBSTANTIAL CHANGES IN PRICE TERMS OF EXISTING

GAS SUPPLY CONTRACTS. NONETHELESS, EXEMPTION SEEMS LIKELY TO COVER ALL SUPPLIES THAT WILL BE DELIVERED TO BGC AS MONOPOLY BUYER FOR REST OF DECADE. AS A PRACTICAL MATTER THIS MEANS GAS PRODUCTION FROM FRIGG AND BRENT FIELDS NOW BEING DEVELOPED FURTHER NORTH OFF SHETLANDS ALSO WILL BE EXEMPTED FROM PRT.

3. DELL'S ANNOUNCEMENT WAS PARTICULARLY GRATIFYING TO PRODUCERS FROM EXISTING GAS FIELDS WHOSE OUTPUT IS COVERED BY LONG-TERM, FIXED PRICE CONTRACTS ENTERED INTO BEFORE ESCALATION IN ENERGY COSTS. ALTHOUGH PRT EXEMPTION WILL BE SUBSTANTIAL HELP, COMPANIES SUCH AS AMOCO AND ESSO STILL ARE LIKELY TO SEEK AN UPWARD REVISION OF GAS PRICES FROM BGC.

4. SHELL/ESSO AND TOTAL APPARENTLY SUCCEEDED IN PERSUADING HMG THAT DESPITE FACT PRODUCTION FROM NEWER FRIGG AND BRENT FIELDS IS TO BE SOLD TO BGC AT SUBSTANTIALLY INCREASED BASE PRICES COMPARED TO EXISTING FIELDS, TOGETHER WITH MORE ADEQUATE ESCALATION CLAUSES, HIGHER DEVELOPMENT COSTS IN SHETLANDS AREA JUSTIFIED APPROVAL OF HIGHER GAS PRICES WITHOUT APPLICATION OF PRT.

5. COMMENT: DELL ANNOUNCEMENT ON GAS EXEMPTION WAS FIRST CONCRETE STEP HMG HAS TAKEN TOWARD MEETING CONCERNS EXPRESSED BY OIL COMPANIES ABOUT PRT PROPOSALS. AS SUCH, IT ALSO IS AN EXTREMELY WELCOME INDICATION THAT GOVERNMENT MAY BE MOVING TO ADOPT IN PRACTICE A MORE CONCILIATORY ATTITUDE ON OTHER IMPORTANT PRT ISSUES RELATING TO MARGIN FIELD DEVELOPMENT, RATE LEVEL, ETC.

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## Message Attributes

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**Channel Indicators:** n/a  
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**Control Number:** n/a  
**Copy:** SINGLE  
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**Disposition Approved on Date:**  
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**Disposition Date:** 28 MAY 2004  
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